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10 UNITED STATES BANKRUPTCY COURT  
11 NORTHERN DISTRICT OF CALIFORNIA  
12 OAKLAND DIVISION

13 In re  
14 Round Table Pizza Inc.,  
15 Debtor.

Case Nos. 11-41431 RLE  
11-41432 RLE  
11-41433 RLE  
11-41434 RLE

Chapter 11

16 In re  
17 Round Table Development Co.,  
18 Debtor.

**MOTION FOR ORDER AUTHORIZING  
JOINT ADMINISTRATION OF  
CHAPTER 11 CASES**

Judge: Hon. Roger Efremsky  
Date: February 11, 2011  
Time: 10:30 a.m.  
Place: United States Bankruptcy Court  
1300 Clay Street  
Oakland, California

19 In re  
20 The Round Table Franchise Corp.,  
21 Debtor.

22 In re  
23 Round Table Pizza Nevada LLC,  
24 Debtor.

1 **I. INTRODUCTION**

2 Round Table Pizza, Inc., Round Table Franchise Corporation, Round Table Development  
3 Company, and Round Table Pizza of Nevada, LLC, the joint debtors and debtors-in-possession in  
4 the above captioned Chapter 11 reorganization cases (collectively "Round Table" or the "Debtor"),  
5 hereby jointly move the Court for an order authorizing joint administration of their Chapter 11  
6 estates (the "Joint Administration Motion").

7 This Joint Administration Motion is based on the Memorandum of Points and Authorities  
8 set forth herein, the NOTICE OF HEARING ON FIRST DAY MOTIONS (the "Omnibus Notice"), the  
9 DECLARATION OF J. ROBERT MCCOURT IN SUPPORT OF FIRST DAY MOTIONS (the "Omnibus  
10 Declaration") filed concurrently herewith and incorporated herein by reference, the pleadings and  
11 papers on file herein, and upon such oral and documentary evidence as may be presented at the  
12 hearing on the Joint Administration Motion. By a separate application, Debtor has requested an  
13 order shortening time for notice and setting a hearing on this matter and other "first day" motions  
14 on an expedited basis.

15 **II. JURISDICTION**

16 On February 9, 2011 (the "Petition Date"), the Debtors filed their voluntary petitions for  
17 relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the  
18 United States Bankruptcy Court for the Northern District of California.

19 The Court has jurisdiction over this case and this Motion pursuant to 28 U.S.C. §§ 157 and  
20 1334. This is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2)(A). Venue is proper  
21 in this District pursuant to 28 U.S.C. §§ 1408 and 1409(a).

22 The statutory bases for the relief requested herein are section 105 of the Bankruptcy Code  
23 and Federal Rule of Bankruptcy Procedure 1015.

24 **III. FACTS**

25 **A. Background**

26 Round Table's first restaurant opened in Menlo Park, California in 1959. Over the past 50  
27 years, Round Table has grown to dominate the Northern California market for pizza, to become a  
28 major West Coast chain, with nearly 500 stores in seven States, and to engage in international

1 franchise development.

2 During the same period, Round Table diversified from acting exclusively as a franchisor to  
3 also operating company owned stores, ultimately acquiring and developing 140 company-owned  
4 stores and swelling its employee base from 70 to a peak of over 3,000 employees.

5 During the decade prior to the Great Recession, Round Table enjoyed tremendous growth.  
6 Between 1997 and 2006, revenues grew from \$15 million to \$120 million per year, and operating  
7 profits grew from \$4.3 million to \$10.5 million. In February of 2007, Round Table obtained a  
8 new credit facility. Although Round Table restructured its business to adjust to the Great  
9 Recession, the terms of the credit facility could not be met by that restructured business. Efforts to  
10 renegotiate the terms of the credit facility were unsuccessful.

11 A fuller presentation of Round Table's background, the circumstances which led to the  
12 instant Chapter 11 filing, and Round Table's expectations regarding its reorganization is set forth  
13 in the Omnibus Declaration.

14 In connection with Round Table's Employee Stock Option Plan (the "ESOP"), an  
15 independent appraiser valued Round Table at \$45 million approximately one year ago. Round  
16 Table engaged in marketing efforts immediately prior to the Petition Date, which confirmed a  
17 value in that range. General Electric Capital Corporation ("GECC") / Prudential Insurance of  
18 America ("Prudential") are owed \$30 million in the aggregate, suggesting that Round Table should  
19 generate a significant recovery to creditors, and potentially a recovery to the ESOP which holds its  
20 equity as well.

21 **B. Intended Reorganization**

22 There are two core aspects to Round Table's business: acting as a franchisor to  
23 independent third party owner-operators, and operating company-owned stores.

24 There are currently 355 franchised stores, with 148 franchisees. The franchise base is  
25 highly diversified: 91% of the franchisees own five stores or less, and only two franchisees own  
26 20 to 25 stores. Management believes that the franchise segment of Round Table's business is  
27 sound, produces stable profits and does not require material reorganization.

28 Round Table operates 128 company-owned stores. Although most of them are profitable,

1 a number of the stores have been unable to operate profitably in the current economic  
2 environment, generating significant losses. Over the first four to six months of its Chapter 11  
3 case, Round Table intends to close unprofitable stores and to renegotiate leases with respect to its  
4 marginal stores. Within four to six months, Round Table expects that its remaining base of  
5 company-owned stores will be stable and profitable.

6 Round Table expects to have maximized the value of the chain through store closings and  
7 lease renegotiations by the conclusion of the initial phase of its reorganization, after which it  
8 intends to complete its reorganization by embarking on one of two paths.

9 If it appears that an appropriate value can be realized for the benefit of all of its  
10 constituencies through a sale, Round Table is amenable to engaging in that process.

11 On the other hand, if problems in the economy and the credit industry make it impossible  
12 to realize an appropriate value for the company this year, Round Table will propose a Plan of  
13 Reorganization which restructures its debt so that it can operate successfully for a period of  
14 perhaps five years, by the conclusion of which it would expect to sell the business or refinance the  
15 debt.

16 For either reorganization to succeed, the loyalty and support of Round Table's employees  
17 will be essential.

#### 18 **C. Joint Management And Administration of The Companies**

19 Formally, Round Table consists of four separate entities: Round Table Pizza, Inc., the  
20 parent corporation, and two subsidiaries, The Round Table Franchise Corporation, which handles  
21 all matters relating to franchises, and Round Table Development Company, which handles all  
22 matters relating to company-owned stores; and Round Table Pizza Nevada LLC, which is wholly  
23 owned by Round Table Development Company.

24 As a practical matter, the Debtors have always operated and presented themselves as a  
25 single, unitary business. For example:

- 26 (a) Creditors have consistently been provided only consolidated financial  
27 statements.
- 28 (b) All internal financial statements are prepared on a consolidated basis.

- 1 (c) All cash is swept to a single account held by the parent corporation, and all  
2 disbursements are made from the parent's accounts.
- 3 (d) All three corporations file tax returns as a consolidated group. As a single-  
4 member LLC, Round Table Pizza Nevada LLC is not treated as a separate  
5 taxable entity for federal tax purposes.
- 6 (e) Separate financial statements are prepared for only The Round Table  
7 Franchise Corporation, only annually, only by Round Table's accountants,  
8 and only so as to comply with FTC requirements. The separate annual  
9 financial statements for The Round Table Franchise Corporation are not  
10 provided to creditors, and they include the following Note:

11 Transactions with Parent and Affiliates:

12 Substantially all of the Company's cash receipts and  
13 disbursements are managed by the Parent. Under  
14 this arrangement, all cash receipts for the franchise  
fees are transferred to the Parent and all Company  
expenses are funded by the Parent.

15 Although Round Table maintains bookkeeping information so that separate financial  
16 statements can be prepared for each entity, Round Table ordinarily does not do so. Round Table's  
17 internal financial systems and reporting are ordinarily handled on a consolidated basis.

18 It would be extremely burdensome and expensive for the company to attempt to prepare  
19 separate financial statements and reports internally for each entity on a current basis for the first  
20 time post-bankruptcy. Additionally, it would be extremely expensive and inefficient for Round  
21 Table to separate the cash management of the three entities (authorization to maintain Round  
22 Table cash management system in its current form is sought by a separate motion).

23 On the other hand, joint administration would not prejudice the creditors of any of the  
24 entities. The books and records are sufficient to allow preparation of separate financial statements  
25 if it would serve a constructive purpose. Further, the substantial reduction in administrative  
26 expense that joint administration will provide will be a significant benefit to creditors.

27  
28

1 Round Table therefore requests that it be permitted to continue to prepare all financial  
2 reports, including monthly operating reports, on a consolidated basis pending further order of the  
3 Court.

4 **D. Notice**

5 If this Joint Administration Motion is approved, a notice, substantially similar to that  
6 attached hereto as Exhibit A, will be sent to all creditors and will be filed in each of the Debtors'  
7 cases. Once jointly administered, Debtors propose to file pleadings only in the Round Table  
8 Pizza, Inc. case court file. In all other court files for the related cases, creditors and parties-in-  
9 interest will be directed to the Round Table Pizza, Inc. file to locate all pleadings filed subsequent  
10 to the date on which the Court enters an order authorizing the joint administration of these four  
11 cases.

12 **IV. RELIEF REQUESTED**

13 By this Motion, Round Table requests that the Court authorize the joint administration of  
14 the Debtors' chapter 11 cases and approve the following procedures. Round Table requests that  
15 the court authorize the Clerk of Court to maintain a joint pleadings docket under the case number  
16 assigned to Round Table Pizza, Inc. which shall be designated as the single pleadings docket for  
17 all pleadings relating to any of the Debtors' chapter 11 cases. Round Table further requests that  
18 absent further order of this Court, the claims registers in these cases shall be maintained separately  
19 for each Debtor entity by the Clerk of Court. Round Table further requests that the court approve  
20 use of a combined caption in substantially the form used hereon, and that Round Table and other  
21 parties be authorized to combine notices to the Debtors' creditors. Round Table further requests  
22 authorization for joint handling of all other administrative matters as appropriate, including joint  
23 financial reporting, and joint and several liability for administrative expenses.

24 The relief requested herein is limited to joint administration. Nothing contained in this  
25 Motion is intended to compel substantive consolidation of the Debtors' estates. The requested  
26 relief will thus not prejudice any entity's substantive rights and will result in no conflicts. If  
27 substantive consolidation of the estates is later warranted, Round Table will move the Court  
28 separately for such relief.

1 **V. BASIS FOR RELIEF**

2 **A. Legal Authority**

3 Round Table Pizza, Inc., The Round Table Franchise Corporation, Round Table  
4 Development Company, and Round Table Pizza Nevada LLC request an order authorizing joint of  
5 administration of their bankruptcy cases. Rule 1015 of the Federal Rules of Bankruptcy Procedure  
6 provides for joint administration of related bankruptcy cases. Rule 1015(b) provides, in pertinent  
7 part as follows:

8 (b) CASES INVOLVING TWO OR MORE RELATED DEBTORS.  
9 **If...two or more petitions are pending in the same court by or**  
10 **against...(2) a partnership and one or more of its general partners, or**  
**(3) two or more general partners, or (4) a debtor and an affiliate,**  
**the court may order joint administration of the estates...**

11 Fed. R. Bankr. P. 1015(b) (emphasis added). The term affiliate is defined in the Bankruptcy Code,  
12 and includes parents and subsidiaries of the debtor, as well as entities that operate, or are operated  
13 by, the debtor. See 11 U.S.C. § 101; Collier on Bankruptcy, ¶ 1015.03 (15<sup>th</sup> ed. rev. 1998).

14 Joint administration is an administrative and procedural device. See, e.g., Reider v. FDIC  
15 (In re Reider), 31 F.3d 1102, 1109 (11th Cir. 1994). It is distinct from substantive consolidation,  
16 and does not involve the substantive rights of creditors of the estates. See id.; Fed. R. Bankr. P.  
17 1015, Advisory Committee Note (1983).

18 As set forth in Collier on Bankruptcy, an order authorizing joint administration  
19 contemplates the following relief:

- 20 (1) combining the estates by using a single docket for administrative  
21 matters, including a listing of claims filed, and the filing, lodging  
22 and docketing of pleadings and orders;  
23 (2) the combining of notices to creditors and parties in interest;  
24 (3) the scheduling of hearings;  
(4) joint financial reporting by the debtors;  
(5) the joint and several liability of the estates of administrative  
expenses; and  
(6) the joint handling of other administrative matters.

25 See Collier on Bankruptcy, Forms 8.92-1, 8.92-4, and 8.92-5, reprinted in Collier on Bankruptcy  
26 (15<sup>th</sup> ed., rev. 2001); Fed. R. Bankr. P. 1015, Advisory Committee Note (1983).

27 **B. Joint Administration Is Justified And Will Benefit The Estate.**

28 Several bases warrant the Court's exercise of its authority under section 105(a) of the

1 Bankruptcy Code to order joint administration of the Debtors' cases. Debtors' cases present the  
2 classic situation for joint administration. Round Table anticipates that numerous similar, if not  
3 identical, applications, motions, and orders will be involved in the Debtors' cases.

4 Joint administration will expedite the administration of the Debtors' cases and reduce  
5 administrative expense without prejudicing creditors' substantive rights. The Debtors are  
6 affiliated companies and have many common creditors. Hence, most motions filed in these cases  
7 will relate to more than one Debtor. Absent joint administration, parties will be required to file  
8 sets of papers that will often be identical, apart from the captions, and creditors will receive  
9 multiple copies of such papers, leading to inevitable creditor confusion. Joint administration will  
10 allow creditors to receive notice of all matters relating to Round Table, thereby ensuring that  
11 creditors are informed of matters potentially affecting their claims, without the burden of  
12 unnecessary and expensive duplication.

13 Because each creditor may file a claim against a particular Debtor, joint administration will  
14 not adversely impact any creditors' rights. In fact, the cost savings of joint administration will  
15 benefit all creditors by increasing the amounts ultimately available for distribution.

16 Joint administration will relieve the Court of the burden of entering duplicative orders and  
17 maintaining duplicative files. Similarly, joint administration will simplify the administrative  
18 burden of the Office of the United States Trustee's supervision of these chapter 11 cases.

19 In addition, Round Table has always prepared combined financial reports, and combined  
20 its accounting services. To require separate financial reporting through the chapter 11 process  
21 would be unduly burdensome and would create unnecessary administrative costs. Allowing  
22 combined reporting in no way prejudices the rights of creditors because Round Table's books and  
23 records are maintained in such a way that separate financial reports can be prepared where needed.

24 Accordingly, Round Table submits that joint administration of these chapter 11 cases is in  
25 the best interests of the Debtors' respective estates. Joint administration will eliminate  
26 unnecessary and expensive duplication of effort by the Debtors, their respective professionals,  
27 their respective creditors, parties in interest, and this Court.

28



1 Finally, Round Table proposes that Debtors' estates be jointly liable for professional fees  
2 and costs such that all fees and expenses be charged to the main case and only one joint fee  
3 application need to be filed by any professional. Because most matters affect the Debtors jointly,  
4 it would be extremely difficult and create a large administrative burden to attempt to allocate fees  
5 and expenses between the Debtors.

## 6 **VI. CONCLUSION**

7 **WHEREFORE**, Round Table prays that the Court enter an order authorizing joint  
8 administration of the Debtors' estates, including that:

- 9 1. The Chapter 11 cases of Round Table Pizza Inc., The Round Table Franchise  
10 Corporation, Round Table Development Company, and Round Table Pizza Nevada  
11 LLC, shall be jointly administered pursuant to Rule 1015(b) of the Federal Rules of  
12 Bankruptcy Procedure.
- 13 2. Joint administration of the cases shall include, without limitation, the following:
  - 14 (a) The use of a single docket (In re Round Table Pizza Inc.) for administrative  
15 matters, particularly for the filing, lodging and docketing of pleadings and  
16 orders;
  - 17 (b) Combined notices to creditors and parties in interest;
  - 18 (c) Combined scheduling of hearings;
  - 19 (d) The use of a combined caption, in the form of the caption used hereon;
  - 20 (e) Combined financial reporting by Debtors;
  - 21 (f) The Joint and several liability of the estates to allow for professional fees  
22 and costs such that all professional fees and costs shall be charged only to  
23 the main case and only one joint fee application need be filed by any  
24 professional; and
  - 25 (g) The joint handling of other administrative matters.

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- 1           3.       Notice of joint administration of the estates shall be separately filed and docketed  
2                   in each of the Debtor's cases, and shall be served on all creditors and parties-in-  
3                   interest in each case substantially in the form of the proposed notice attached as  
4                   Exhibit A to the Motion; and  
5           4.       For such other relief as the Court deems just and proper.

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7  
8 DATED: February 9, 2011

Respectfully submitted,

9                   McNUTT LAW GROUP LLP

10  
11                   By:           /s/ Scott H. McNutt            
12                       Scott H. McNutt  
13                       Proposed Attorneys for Debtors  
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